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DDI Registry

D1 Chrono

DDI CHRONO

DDI #02111-84
3 April 1984

NOTE TO:

[redacted]
Acting Director, SOVA

25X1

FROM : Deputy Director for Intelligence

1. Attached is a letter from six Senators on the defense spending issue. Please prepare a draft reply for the Director's signature to Senator Hatch that is framed around the following points:

- The conclusions and context of our work on trends in Soviet defense expenditures have been distorted in press reporting. We have taken unilateral action (see attached George Lauder's letter to the Washington Post) to put this work in perspective.
- The only reliable gauge of Soviet military power and programs are the forces they have in the field. These forces constitute the only real measure of military capability.
- Then provide some statistics out of the '81 study where we provided the unclassified statistics to Ikle a year or so ago about the comparative numbers, say for 1981, 10 to 1 on ICBMs and 20 to 1 on strategic defense and that kind of thing.
- And then talk about what our defense expenditure estimates are intended to do in terms of projecting trend in overall spending, what these figures show in terms of procurement, why we think these things have happened and, finally,
- between the continued expansion of production facilities and the high level of R&D activity our view that trends in spending are likely to return to historical levels if not this year than as soon as they can work out some of their economic problems. [redacted]

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2. Use figures like the fact that even with the leveling off in their procurement, this was at a level 40% higher than US spending. [redacted]

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C1 By Signer
DECL OADR

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3. You've been through this problem as I recall not too long ago and it may be that the short paper you prepared will meet these needs. You might take a look at it and send it along with whatever you prepare or if it seems to do the trick, just send it. But we do need to get back to Hatch fairly quickly.

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4. I will raise with the DCI the more basic issue of whether we reply to a letter from essentially a partisan political organization, especially if the members are all US Senators.

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Robert M. Gates

Attachment:
Incoming
Lauder Letter to Post

cc: [] OLL

25X1

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RetainNews Bulletin : WASHINGTON POST, Page A-18
Editorial Page23 November 1983
Item No. 1*'Knockdown of a Soviet Buildup'*

Usually when CIA analysis is reported inaccurately, we must suffer in silence. However, in the case of Stephen S. Rosenfeld's Nov. 18 column, "Knockdown of a Soviet Buildup," because we prepared an unclassified version of our work on trends in Soviet defense spending for the Joint Economic Committee of the Congress, I am able to put in proper perspective Mr. Rosenfeld's account of our analysis.

He suggests that our analysis of the Soviet defense effort portrays "a steady Soviet performance at a relatively low level" and that the Soviets used detente "to give themselves something of a breather." A balanced examination of our testimony conveys no such message.

We stated explicitly to the committee that "our latest comparisons of U.S. and Soviet defense programs show that despite somewhat slower growth in recent years the costs of Soviet defense activities still exceed those of the United States by a large margin. In 1981 the dollar costs of Soviet defense activities were 45 percent greater than U.S. outlays; procurement costs alone were also 45 percent larger." Moreover, the committee was reminded that the Soviet defense effort still is running between 13 and 14 percent of GNP—that is, over twice the percentage of GNP devoted to defense spending in the United States.

We also stressed to the committee that "trends in Soviet military spending are not a sufficient basis to form judgments

about Soviet military capabilities, which are a complex function of weapons stocks, doctrine, training, generalship and other factors important in a potential conflict. The cost estimates are best used to identify shifts in priorities and trends in resource commitments to military programs over an extended period of time. Moreover, the spending estimates do not give an appreciation of the large stocks of strategic and conventional weapon systems already deployed. Indeed, current levels of spending are so high that despite the procurement plateau noted, the Soviet forces have received since 1975 about 2,000 ICBMs and SLBMs, over 5,000 tactical combat and interceptor aircraft, 15,000 tanks and substantial numbers of major surface combatants, SSBNs, and attack submarines."

Finally, it is worth pointing out that Soviet efforts to develop advanced weapon systems continue in the '80s at least at the rapid pace of the previous two decades. Among these are fighter and airborne control aircraft, ballistic and cruise missiles, space systems and submarines. The new systems cover the full range of technologically advanced weaponry the Soviets will need to modernize all major forces.

In sum, Mr. Rosenfeld's description of our analysis does not provide a balanced account of our testimony to the JEC. Our costing of the Soviet defense effort is very complex and susceptible to misrepresentation and misuse. Those who oversimplify or cite out of context our work in this important area do not contribute to needed public understanding of these issues. They also do an injustice to the professional, independent analysts in all of the agencies of the intelligence community working to broaden our knowledge and understanding of the Soviet defense effort.

GEORGE V. LAUDER
Director, Public Affairs Office
Central Intelligence Agency

Washington

Central Intelligence Agency



Washington, D. C. 20505

18 November 1983

TO: The Editor,
The Washington Post

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George V. Lauder
Director, Public Affairs Office

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News Bulletin : WASHINGTON POST , Pg. A-19

18 November 1983
Item No. 1*Stephen S. Rosenfeld***Knockdown of a Soviet 'Buildup'**

The most important political number in the world is the size of the Soviet defense budget. More than any other single statistic or fact, or any combination, it governs our judgments of Soviet power and our responses to it. So it is of prime importance that the Reagan administration has had the defense number wrong for three years. The administration has been on the high side by a factor of at least two.

Says who? Says the Reagan CIA. Its latest review produced startlingly lower estimates of Soviet defense spending. These have been duly relayed to the Joint Economic Committee of Congress, which is about to make them public.

The Soviet Union is not disarming—not by a long shot. But while the CIA had previously estimated that Moscow was continuing to increase military spending in 1976-81 at the very strong if not alarming rate of 4-5 percent a year, the figure is now put at a modest 2 percent. The share of the economy devoted to defense—the military burden—was found to hold at 13-14 percent.

The CIA suggests that most of the slowdown took place in procurement of new hardware, the driving force of past Soviet defense growth. It attributes that slowdown to familiar economic and systemic shortcomings. Yuri Andropov's defense position, a CIA briefing paper notes, is "unclear. . . . The little evidence that is available indicates Andropov has not accelerated Soviet military spending."

The Pentagon's own Defense Intelligence Agency does not accept the new CIA figures. The DIA believes that there was no slowdown in total Soviet defense spending in the crucial ruble account in the 1970s, that procurement growth slowed from 9-11 percent to 6-9 percent through the decade, and that the military burden increased from 13-14 percent to 14-16 percent.

How does one sort out the CIA-DIA difference? Suggests one analyst, the JEC's Richard F. Kaufman, in a staff study: "The DIA's estimates for Soviet defense and GNP have limited utility for policymakers because they are not adjusted for inflation, are based on a definition of Soviet defense that is different from the definition of U.S. defense, and contain wide margins of error. The DIA considers its methodology classified, making it difficult for outsiders to evaluate its measures."

A citizen must note that the DIA works in a Pentagon whose constantly reiterated political objective is to strengthen the basis for higher American defense spending. That the DIA, unlike the CIA, is unwilling to unveil its methodology and subject it to outside scrutiny does not build confidence in DIA's product.

The CIA's new estimates bear directly on critical policy questions.

The estimates call into doubt the central political and emotional premise of the Reagan rearmament program, the

contention—the conviction—that the Soviet Union was and still is embarked on an arms-building program of unprecedented dimensions. It turns out that the Kremlin has a powerful military force, which is growing but at a rate that is not what you would call especially menacing: 2 percent.

The estimates undercut the common conservative belief that the Soviets exploited the period of détente in the 1970s, while we Americans were diminishing our defense effort, and wickedly forged ahead on their own. Our vigorous catch-up, launched by Jimmy Carter and intensified by Ronald Reagan, has coincided with a steady Soviet performance at a relatively low level. Rather than using détente to gain on us, the Soviets appear to have used it to give themselves something of a breather.

Finally, Soviet defense growth of 2 percent, for years in which overall Soviet economic growth is also now put at 2 percent, fits poorly with another fashionable idea—that the Soviet economy is weak and laboring, desperately in need of reform and meanwhile a sure loser in an arms race with the United States. Two percent economic growth in a bad year is not so bad. The CIA expects 3-4 percent in 1983. We are not sure how the Soviets set their defense spending level, but it would be foolish to think that economic or systemic distress will keep them from doing what they feel they have to do.

EXECUTIVE SECRETARIAT**ROUTING SLIP**

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI		X		
2	DDCI		X		
3	EXDIR				
4	D/ICS				
5	DDI		X		
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/Pers				
14	D/OLL	X			
15	D/PAO				
16	SA/IA				
17	AO/DCI				
18	C/IPD/OIS				
19					
20					
21					
22					
SUSPENSE		5 April			
		Date			

Remarks:

Please prepare reply for
DCI's signature.

Executive Secretary

29 March 84

Date

3637 (10-81)

STAT

March 28, 1984

Executive Registry

84-1453

The Honorable William J. Casey
 Director, Central Intelligence
 Agency
 Washington, D.C. 20505

Dear Bill:

We are concerned about press reports that NATO recently endorsed new estimates of the Soviet defense budget which reduced previous estimates of the real growth in overall Soviet defense spending from four to five percent per year down to as low as 2.5%.

We would appreciate receiving from you an unclassified explanation of whether the growth in Soviet defense spending has actually reduced by as much as fifty percent, whether the previous estimates were correct or not, and any errors or misunderstandings that may exist about the quality of accurate estimates of Soviet defense spending.

We are sure you appreciate the difficulty in persuading our colleagues in the Senate to support the President's request for a ten percent real growth in our defense budget a few weeks after NATO and the U.S. intelligence community have apparently endorsed a fifty percent "cut" in estimated Soviet defense spending.

Thank you for your assistance.

Warmest personal regards,

Jesse Helms *Shirley Hatt*
Strom Thurmond
Roger W. Jensen
John P. East
Steve Symms

senate steering committee